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TAGS: [KSCA](#) [TRGY](#) [ENRG](#) [BEXP](#) [KNNP](#) [TW](#)

SUBJECT: ADVOCATING FOR HOLTEC: NUCLEAR SAFETY & THE AEC

REF: A. TAIPEI 2474

[B](#). SECSTATE 99089

[C](#). TAIPEI 2250

[D](#). TAIPEI 2601

[1](#)1. (SBU) Summary: On June 10, AIT/T Economic and Commercial Chiefs met with Ouyang Min-sheng, Chairman of Taiwan's Atomic Energy Commission (AEC) to deliver reftel talking points on behalf of Holtec International Corporation. In addition to the nuclear safety issues, AIT/T emphasized Washington agencies' concerns regarding the potential conflict of interest in the procurement process as well as the lack of transparency in the process. Ouyang and staff members from the Institute of Nuclear Energy Research (INER) said there is no tradeoff between safety and procurement and that the AEC strictly follows US Nuclear Regulatory Commission regulatory processes. Ouyang committed to allowing US and IAEA inspection of the stored fuels to allay any nonproliferation concerns. He said that in light of Taiwan's firm nuclear-free homeland policy, the AEC cannot afford any mistakes in the safety of nuclear power. INER plans to buy and develop the dry storage technology in order to transfer it to indigenous firms. INER does not plan to provide goods and services directly to Taipower on the storage cask project. End Summary.

[1](#)2. (U) On June 10, AIT/T Economic and Commercial Chiefs met with Ouyang Min-sheng Chairman of Taiwan's Atomic Energy Commission to deliver reftel talking points on behalf of Holtec International Corporation and its bid to supply casks to Taiwan for dry storage of low-level nuclear waste from the Chinshan nuclear power plant. In addition to the nuclear safety issues covered in reftel points, AIT/T emphasized to Ouyang Washington agencies' concerns regarding the potential conflict of interest in the procurement process. We noted that there may be a pattern developing in procurement processes involving the Atomic Energy Commission (AEC), its subsidiary research entity the Institute for Nuclear Energy Research (INER) and TaiPower. As described in ref B, we noted that there have been two recent nuclear storage contracts from Taiwan. One for control rod reduction services and the other for dry storage casks. With regard to the contract for dry storage casks, we noted that US bidders have complained that the procuring agency, Taipower, has set unrealistically low price levels for the contract. When US firms submit bids well above the level established by Taipower, the tender offer is withdrawn and Taipower turns to sole-source contracts with INER to supply the goods and services desired. We noted the possibility that it would be a conflict of interest to have INER, as a national laboratory under the control of the nuclear regulator, AEC, be the recipient of the sole-source contracts to supply the goods and services to TaiPower.

[1](#)3. (U) Ouyang had prepared in advance for the meeting with his own set of points:

-- Safety is of the utmost concern in the regulatory process.

-- Therefore, Taiwan follows all processes set by the US Nuclear Regulatory Commission (NRC)

-- Taiwan procures almost all nuclear-related items from the US

-- Regarding dry-cask storage, Taiwan is only interested in procuring technology and items which have been licensed by the US NRC.

-- The Taipower procurement is a commercial process, while AEC focuses on regulatory issues.

-- There is no trade off between procurement and safety.

[1](#)4. (U) Ouyang argued that INER has not engaged in unfair competition with the private sector because it did not actually participate in the original tender for the dry storage cask project. AIT replied that, according to our understanding, whereas in the dry-cask procurement Taipower

invited INER to license foreign technology on a sole-source basis only after the original procurement failed, in the case of the control rod reduction procurement INER did participate as a bidder and won by under-bidding private sector firms (including at least one US company). AEC and INER, conceded that this is correct. (Note: Regarding the control rod reduction procurement, which was awarded to INER, US firm Duratek has filed a protest with Taiwan's Public Construction Commission, which, according to Duratek's agent, made an initial determination last week that Taipower had not supplied sufficient evidence that INER is qualified and directed Taipower to provide further support for the selection of INER by July 8.)

15. (SBU) Ouyang had also invited representatives from INER to participate, including Mr. WU Ruey-yau, Deputy Director, Environment and Energy Technology Center and the director of the dry-cask storage project. Wu said that he had attended the recent US NRC regulatory workshop and assured us that INER would follow exactly the regulatory standards established by the US NRC and discussed in the workshop. Wu also emphasized that safety is a judgment that must be made solely by Taiwan's AEC and that INER will follow AEC's directions. He added that INER hopes to provide future services to Taipower. Ouyang said that Taipower has had financial difficulties recently, apparently suggesting that Taipower can only afford INER's bargain-basement prices for its nuclear services.

16. (SBU) Ouyang said that this procurement should not raise any concerns on the part of the US. He said that he could understand if the US had nonproliferation concerns about the dry storage of the spent fuel; he said Taiwan is prepared to commit to IAEA and US inspections of the stored fuel. He added that in any kind of commercial procurement for nuclear technology Taiwan firms cannot compete with US nuclear-technology firms and has no ambition of developing competing firms. He emphasized that Taiwan's government has a firm nuclear-free homeland policy that gives him little room for developing nuclear technologies. Ouyang said that the newly appointed Minister of Taiwan's Environmental Protection Agency would closely monitor his agency's actions. He said that any mistake in the safety of nuclear power would create major political and economic difficulties in Taiwan. (Note: See ref D report on the Taiwan government's anti nuclear stance. End note.)

17. (SBU) In response to a query from AIT/T, INER said that the tender for the dry-storage casks would close on Saturday, June 11. INER observed that it had only invited tenders from US firms for the project. (Note: AIT understands that US entities of French firms have been included in the firms invited to bid. End note.) INER has formed a panel to review the bids, which he described as "independent," but which will in fact be headed by INER's Wu Ruey-yau. INER emphasized that it views its main function as to provide research and development to transfer technology to indigenous companies. INER does not plan to provide goods and services directly to Taipower. In the case of the storage casks and other projects, INER intends to buy and/or develop the technology and transfer to a local firm. Ouyang noted that INER has developed its own technology on solid nuclear waste and has transferred (sold) this technology to Japan.

18. (U) AIT/T is scheduled to meet with Taipower Acting Chairman & President Edward K.M. Chen on June 17 to deliver the talking points from ref B.

19. (SBU) Comment: The essence of AEC's message seems to be that the small size of Taiwan's domestic market and Taipower's financial difficulties in the past year mean that the US should not be concerned with procurement irregularities or the budgets being allocated for storing nuclear wastes. Nevertheless, the new information that INER hopes to act essentially as a conduit to pass the dry-cask storage technology to Taiwan's domestic firms could indicate that Taiwan wants to develop and commercialize the technology so that local firms will supply this service not only in Taiwan, but also seek to compete with foreign suppliers for cask business internationally. We note that Ouyang raised the issue of nonproliferation. AIT/T did not raise the subject, but welcomed his unsolicited offer to allow for both IAEA and US inspections of the stored nuclear waste.

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